

For publication

Annual Housing Revenue Account rent and service charge setting review (H000)

Meeting:	Cabinet
Date:	24 January 2023
Cabinet portfolio:	Cabinet Member for Housing
Report by:	Service Director – Housing
For publication	

1.0 Purpose of report

1.1 To seek Cabinet approval to set housing rent and service charge levels for 2023/24.

2.0 Recommendations

2.1 To approve, for 2023/24, that individual social rents for current general needs tenants be set based on the current national social rent policy, giving a rent increase of 7.0% with effect from 3 April 2023.

2.2 To approve, for 2023/24 and onwards, that where a social rent property is re-let to a new or transferring tenant the rent level be increased to the target rent for that property. Target rents are to increase by 11.1%.

2.3 To approve, for 2023/24, that individual social rents for current sheltered housing scheme tenants be set based on the current national social rent policy, giving a rent increase of 11.1% with effect from 3 April 2023, which will also apply to new and transferring tenants.

2.4 To approve, for 2023/24, that individual affordable rents be set based on the current national social rent policy giving a cash rent increase of 7.0% with effect from 3 April 2023.

2.5 To approve, for 2023/24 and onwards, that where an affordable rent property is re-let to a new or transferring tenant the rent level be set by reference to 80% of the market rent (including service charges where applicable) for a similar property at the time of letting or the formula rent for the property, whichever is greater.

2.6 To approve the principle that the true costs of delivering services should be passed onto tenants and therefore, service charges should be increased to ensure services break even. It is recommended that the service charges are increased as set out in **Appendix 1** Housing Revenue Account Service Charges 2023/24.

3.0 Reasons for recommendations

- 3.1 To enable the Council to set the level of council house rents in accordance with Government guidelines and the Rent Standard.
- 3.2 To enable the Council to set service charges for 2023/24 and ensuring the cost of delivering services continues to break even.
- 3.3 To contribute to the Council's corporate priority 'to improve the quality of life for local people'.

4.0 **Report details**

National Social Rent Policy

- 4.1 The Council is required to keep a separate account for its activities as a landlord. This is called the Housing Revenue Account (HRA). The HRA is governed by the Local Government and Housing Act 1989 and by determinations made under this Act by the Ministry of Housing Communities and Local Government.
- 4.2 Under the HRA self-financing regime we are required to ensure that our HRA Business Plan is financially viable, delivers reasonable standards for tenants, and maintains properties to at least the minimum Decent Homes Standard.
- 4.3 Future investment in the Housing Service and the housing stock is largely funded through income from the properties and is therefore directly influenced by decisions on rent levels, additional borrowing or the use of cash reserves.
- 4.4 Social rents are usually set according to the Government's National Social Rent policy and the Welfare Reform and Work Act 2016. In accordance with the Government's National Social Rent Policy, which came into effect from 1st April 2020, rents may increase by up to CPI plus 1%, until 1 April 2024. The basis for annual rent increases is the September Consumer Price Inflation (CPI) which in 2022 is 10.1%, meaning the maximum rent increase projected for April 2023 should be **11.1%**.
- 4.5 Due to the high rate of inflation the Government conducted a consultation on rent increases with all Registered Providers, which closed on 12 October 2022. This asked for comment on the effects on social housing business plans of either a 3%, 5% or 7% ceiling on rent increases for 2023-24, in the event that September CPI was above the rate of increase on average earnings. On 17 November 2022, the Chancellor of the Exchequer announced in the Autumn Statement that the increases in actual social housing rents – including social and affordable based rents - would have a ceiling of a 7% rise for 2023-24.
- 4.6 Documents provided by the Government to accompany the Autumn Statement confirm that the 7% restriction is a change to the National Social Rent Policy for one year only and that increases for the following year will be a maximum of CPI + 1%. The document also provides an exemption from the ceiling for supported housing providers, including local authorities, to allow rents for supported housing to rise by up to 11.1%.
- 4.7 In addition, where a property is re-let during the financial year (and where it is not already at target rent), the new tenant's rent level can continue to be increased to the target rent for that property. The Government is increasing the target rent by 11.1%.

4.8 The direction from the Government to the regulator of social housing is provided at the following link:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1123928/Direction_to_RSH.pdf

Rent setting for 2023/24

4.9 Without the changes to the Government’s National Social Rent Policy and the RSH Rent Standard, rents for current tenants would have continued to increase by CPI plus 1%. This would have resulted in a rent increase of 11.1% in 2023/24 based on CPI in September 2022 of 10.1%.

4.10 The changes to the rent standard through the Direction to the Housing Regulator restricts rent rises to current general needs tenants to 7%. This gives an average social rent in 2023/24 of £88.77 per week and an average affordable rent of £109.43 per week.

4.11 The Council manages 141 sheltered housing properties in six schemes. The rents for these properties are to increase by 11.1%. The Government has made an exception to sheltered housing schemes due to the higher costs of management of sheltered properties – more intensive housing management and increased compliance checks over general need housing. This gives an average rent in a sheltered property of £94.69.

	Properties	Average rent 2022/23	Average rent 2023/24	Average target rent 2022/23	Average target rent 2023/24 (11.1% rise)
General needs	8,681	£82.95	£88.77 (7%)	£85.55	£95.05
Sheltered	141	£85.24	£94.69 (11.1%)	£86.23	£95.80
Affordable rent	6	£102.27	£109.43 (7%)	N/A	N/A

Social Rent

4.12 A social rent is calculated by a formula based on local earnings (70%), 1999 property values (30%) and then adjusted to account for the number of bedrooms in a property. Chesterfield Borough let 8,822 properties at a social rent as at 6 December 2022.

Affordable Rent

4.13 Affordable rented homes are properties delivered through the Affordable Homes Programme 2011-15 and let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable rent is subject to rent controls that require a rent of up to 80% of the local market rent (including service charges). Chesterfield Borough Council let six properties at an affordable rent as at 6 December 2022.

4.14 The rent at the date of first letting is set at a maximum of 80% of the market rent for a similar property in the area at that time including service charges. On a change of tenancy, the rent must be re-calculated by reference to 80% of the market rent (again inclusive of service charges) at that date. This may mean that the rent decreases rather than rising, depending on market conditions prevailing at the time. In addition, affordable rents must not be lower than what would be the social formula rent for the property.

Service charge setting 2023/24

4.15 Details of increases to heating charges, garage rents, garage site rents, garden assistance scheme, water charges, community room charges and warden services are set out in **Appendix 1**.

Rent, fees and charges summary

4.16 The table below shows the annual impact of the recommended rent increase and fee and charge increases set out in **Appendix 1** on the 2022/23-year end balance:

Description	Additional income in 2023/24
Heating Service charge	£71,234
Garage rents	£51,698
Garage sites	£2,540
Water charges	£0
Garden assistance scheme	£310
Community room hire	£0
Communal staircase cleaning	£22,346
Sheltered scheme support charge	£0
Sheltered and Independent Living service charges*	£26,167
Rent increase	£2,653,000
Total of proposed increases	£2,827,295

5.0 Alternative options

5.1 Consideration has been given to applying lower rent increases than the levels set by government. This is not recommended for the following main reasons:

- The HRA faces major challenges over the coming years, particularly in relation to delivering new affordable council homes, investing in stock to ensure high quality homes, meeting the Council’s climate change ambitions, and investing in staff resources to improve performance, satisfaction and compliance with the standards set by the Social Housing Regulator.
- The cost of delivering investment in our housing stock has increased in line with inflation, which with a reduced rent increase makes this more challenging.
- In order to maintain the current stock and develop new homes, the HRA needs to borrow beyond its current level of debt. Increased borrowing brings additional

interest charges which reduces the amount of HRA revenue available to provide essential housing services.

- If rents are not increased in line with National Rent Policy not only does this reduce the rent income for the year in question, but also cumulatively for all future years.

6.0 Implication for consideration - Financial and value for money

6.1 The financial implications are an intrinsic element of this report. The recommendation that all Chesterfield Borough Council general needs rents (social and affordable) will increase by 7% and all sheltered scheme rents will increase by 11.1%, will result in an additional £2,653,000 of income in 2023/24 compared to 2022/23.

6.2 The service charges are increased at a rate to cover the cost incurred in providing that service. This means that increases can vary more widely. The changes in the service charges will bring in an additional £174,295 in 2023/24 compared to 2022/23.

7.0 Implications for consideration - Legal

7.1 The Council, as a registered social landlord is required from 1st April 2020 to set rents in accordance with the Regulator of Social Housing's Rent Standard.

8.0 Implications for consideration – Human Resources

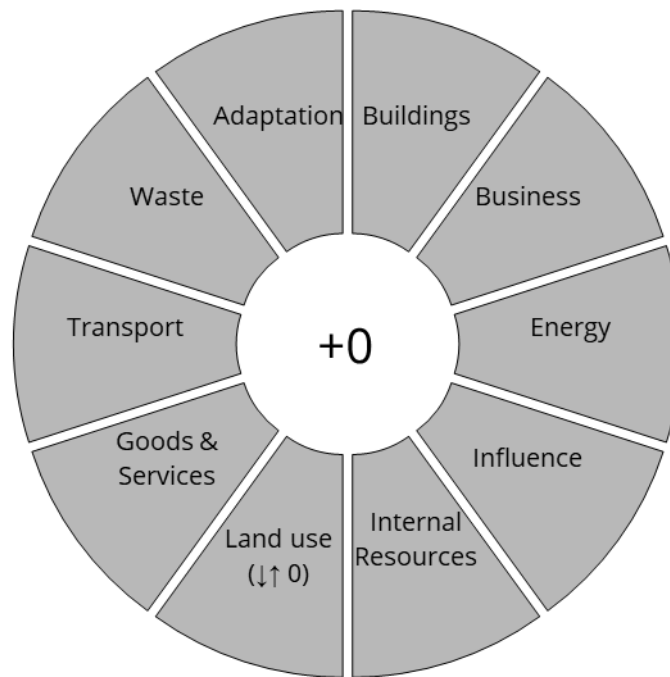
8.1 None

9.0 Implications for consideration – Council Plan

9.1 Contributes to two of our key priority areas - to improve quality of life for local people and to provide value for money services.

10.0 Implications for consideration – climate change

10.1 A climate change impact assessment was undertaken for this report. There will be no direct change to service provision or delivery from this report. The outcome from this is detailed below.



Chesterfield Borough Council has committed to being a carbon neutral organisation by 2030 (6 years and 11 months away).

11.0 Implication for consideration – equality and diversity

11.1 In setting the National Social Rent Policy, an Equalities Impact Assessment has been carried out nationally. This can be viewed through the following [link](#). The impact on tenants with protected characteristics has been considered when setting fees and charges and where possible these have been minimised to mitigate any negative impact.

12.0 Implications for consideration - risk management

Description of the risk	Impact	Likelihood	Mitigating action	Impact	Likelihood
Increased rents means rents more unaffordable	M	M	All rents are below the local housing allowance levels. Revenues operate a wide range of activities to maximise the Council's rent collection including offering direct debits that automatically adjust to collect the increased rents	M	L

Description of the risk	Impact	Likelihood	Mitigating action	Impact	Likelihood
Continued high levels of inflation in subsequent years may lead to further limitation on rent increases	H	H	Raising rents within the maximum allowance whilst possible will protect income for future years and is required to cover unrestrained increases in expenditure in periods of high inflation.	M	M
Future September rates for CPI may be lower than predicted within the Business Plan	H	L	Continued use of the September rate of inflation (CPI) to increase rents should ensure that peaks and troughs in inflation are managed on average over the years.	M	L
Continued RTB sales at approximately 70 per annum will reduce the stock and the rental income available to maintain the housing stock and services at the required level.	M	M	Maintenance of rent increases at the maximum levels allowed will help to ensure that there are sufficient resources to maintain the housing stock.	L	L
Failure to increase actual rents in line with the increase in the formula rent will lead to actual rents falling below target rents and additional administration costs on relet. Actual rents are currently £2.60 per week below target. As at 3 April all tenanted properties will be an average of £6.73 below target rent.	M	H	The formula or target rent for a social property will rise by 7% for 2023/24 in line with the Government rent formula and the Rent Standard. The Council has a policy of moving rents to target on re-let to aim achieve the rental income required to support the HRA debt payments – minimising the number of properties below target reduces the cost of administering rent changes.	L	L

Decision information

Key decision number	1125
Wards affected	All

Document information

Report author	
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Background documents These are unpublished works which have been relied on to a material extent when the report was prepared.	
<i>N/A</i>	
Appendices to the report	
Appendix 1	Housing Revenue Account Service Charges 2023/24